



## A Glance at Connecticut's Workforce

February 2008

For Connecticut, 2007 marked the year the state recovered all of the jobs it lost during the last recession, setting an all-time employment peak of 1,702,600 jobs in Connecticut in December,<sup>1</sup> slightly more than at the state's July 2000 peak of 1,700,200 jobs. That it took Connecticut *four years* to get back to pre-recession levels of jobs reflects its relatively slow job growth compared to much of the nation.

While Connecticut's employment growth rate since 2003 (3.7%) exceeds neighboring states like Rhode Island, New Jersey, Massachusetts, Pennsylvania, and Maine, it trails 39 other states and the District of Columbia and is far below the national job growth rate (6.4%).<sup>2</sup> While 2007 was generally a good year for job growth in Connecticut, job growth has stagnated since July and labor economists are not optimistic about growth in 2008.<sup>3</sup>

Additionally, the growing economy failed to provide benefit to all Connecticut residents. Indeed, between 2005 and 2006, real (inflation-adjusted) wages fell or remained stagnant for virtually all Connecticut workers. Poverty rates failed to improve. Further, disparities in wages -- by gender, education level, and race -- widened.

### While Productivity And Profits Have Increased In Connecticut, Wages Have Been Stagnant

Table 1, below, shows the change in real wages over the last five years -- from 2001 (the start of the national recession) to 2006. The bolded years represent years in which wages *exceeded* those in 2006. Significantly, Connecticut's lowest wage earners lost significant ground over this five-year period: 10<sup>th</sup> percentile earners had declining wages in all but one year, while 20<sup>th</sup> percentile earners experienced decreases every year since 2001. While Connecticut's median and higher wage earners experienced increasing wages until 2003, they too have had declining wages every year since.

**Table 1. Real Hourly Wage by Income Percentile (2001-2006)**

Percentile	2001	2002	2003	2004	2005	2006
10 <sup>th</sup> percentile ("Lowest")	<b>\$8.72</b>	<b>\$8.75</b>	<b>\$8.68</b>	<b>\$8.60</b>	<b>\$8.48</b>	\$8.12
20 <sup>th</sup> percentile	<b>\$11.17</b>	<b>\$11.01</b>	<b>\$10.84</b>	<b>\$10.62</b>	<b>\$10.43</b>	\$10.14
50 <sup>th</sup> percentile ("Median")	<b>\$18.36</b>	<b>\$18.25</b>	<b>\$18.68</b>	<b>\$18.50</b>	<b>\$17.82</b>	\$17.75
80 <sup>th</sup> percentile	\$29.78	<b>\$30.23</b>	<b>\$31.92</b>	<b>\$30.93</b>	<b>\$30.84</b>	\$29.91
90 <sup>th</sup> percentile ("Highest")	\$38.43	<b>\$38.87</b>	<b>\$41.22</b>	<b>\$39.97</b>	<b>\$39.70</b>	\$38.64

### Connecticut's Poverty Rates Have Not Budged

The proportion of Connecticut families and children living under the federal poverty level is unchanged from 2005. Poverty and income data from the Current Population Survey indicate that 8.0% of Connecticut residents (275,000) had incomes under the Federal Poverty Level (\$20,615 for a family of four in 2006). The American Community Survey shows that 10.7% of related Connecticut children under age 18 (85,906 children) lived in families with incomes under the Federal Poverty Level in 2006.<sup>4</sup>

## **For Many Connecticut Residents, Full-Time, Year-Round Employment Provides Insufficient Income to Meet Basic Family Needs**

In 2006, one in six (16.8%) of Connecticut workers earned a “poverty” wage (\$9.91 an hour), or less,<sup>5</sup> a higher proportion of Connecticut workers than at any point since 1999. The percentage of the Connecticut workforce earning a poverty wage or less has climbed by 2.2 percentage points since its most recent low point -- in 2001.

For families struggling to make ends meet, a poverty level wage falls far short of meeting a family’s basic needs, particularly in a high cost state like Connecticut. In fact, a Connecticut family with two parents who are working full-time, year round at Connecticut’s 20th percentile of income cannot support a family of four with two school-age children in *any* region of the state.

## **Wage Inequities By Educational Attainment, Race/Ethnicity, And Gender Persist**

The gap in wages between Connecticut’s college-educated workers and those without a high school diploma has grown significantly since 1979. Workers with bachelor degrees and higher have seen their average hourly earnings rise from \$20 to \$27, while the wages of those without high school diplomas have fallen from \$12.50 to about \$10.00. So, since 1979, the *gap* between their wages – the wage premium of a college degree -- has increased from \$7.50/hour to \$17/hour, or by about \$19,000/year.

Connecticut has persistent disparities in wages based on race and ethnicity. The median hourly wage for white workers in 2006 was \$19.26 compared to \$12.99 for African-American workers and \$11.77 for Hispanic workers. Connecticut’s white workers not only enjoy a marked wage advantage over their non-white counterparts in Connecticut, but also a significant wage advantage over white workers nationally and regionally. In contrast, Connecticut’s African-American and Hispanic workers enjoy a very modest wage advantage compared to their national counterparts, but slightly lag their regional counterparts.

Connecticut men continue to make more than Connecticut women. In 2006, at the median, men made \$5 more per hour than women, earning \$20.04 to women’s \$15.20. This gap is greater than it was ten years earlier. Further, compared with other states, Connecticut is in the bottom fifth among states in gender equity in wages, far below other states with a comparably educated workforce like New York and Maryland.

## **Recommendations to Improve Connecticut’s Family Economic Well-Being**

Given these troubling trends, Connecticut needs to do much more to help its families share in the benefits of the state’s expanding economy and assure more equal economic opportunity. The following steps would help:

- *Greatly increase our public investment in education.* Since post-secondary education clearly is a key to higher earnings and steady employment, barriers to college must be reduced by: a) investing more in preschool and K-12 education to reduce the state’s growing achievement gap; b) targeting interventions to curb the number of youth who drop out of high school; c) increasing funding for college scholarships; and d) expanding financial support to our public colleges and universities to limit tuition increases. Assuring that Connecticut’s workforce remains one of the most highly educated in the nation not only helps Connecticut families, but also keeps Connecticut economically competitive.
- *Re-think the state’s economic development strategy.* In the last decade, the state’s economic development efforts have been fragmented, lacking a cohesive strategy. This has contributed to the deterioration in the quality of

Connecticut's jobs (including the loss of relatively high-wage manufacturing jobs and increase in lower-paying service jobs) has contributed to the deterioration in economic well-being of the state's families and the state's slow job growth. It is essential that Connecticut implement a comprehensive economic development plan that focuses on increasing higher-wage jobs, assuring a well-educated, healthy workforce, and competently assessing the economic returns to current state economic development investment, particularly in transient economic activity (e.g., the movie tax credit) and in low-wage jobs. The success of state economic development initiatives (whether through grants, loans or tax benefits) should be measured by the number of higher-wage jobs created and the preparedness of our workforce, not just increased state productivity. Economic development resources not achieving these purposes should be re-deployed.

- *Enhance supports for the low wage workers who have lost their jobs.* With household costs rising and wages shrinking, the state must do more to help low-wage families make ends meet. Restoring *all* of the funds cut in the last recession for programs that reduce family expenses (e.g., child care subsidies, housing subsidies, energy assistance), assuring affordable health insurance for all who are uninsured, making the state tax code more equitable (e.g., providing income tax deductions for dependent children and a refundable state earned income tax credit), expanding the supply of housing that is affordable for low-wage families, and curbing predatory lending practices all will reduce poverty's adverse impacts on children living in families earning low wages. Expanding the coverage and benefits of our unemployment insurance program, and providing wage insurance for workers who lose their jobs, also can help cushion families from economic catastrophe.

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<sup>1</sup> Connecticut Department of Labor, "Labor Situation" (December 2007).

<sup>2</sup> For more information, see J. Hero, D. Hall, and S. Geballe. *The State of Working Connecticut, 2007* (Connecticut Voices for Children, 2007). available at: [www.ctkidslink.org/pub\\_detail\\_370.html](http://www.ctkidslink.org/pub_detail_370.html).

<sup>3</sup> Connecticut Department of Labor, "Labor Situation" (December 2007).

<sup>4</sup> For more information, see *Poverty, Income & Health Insurance in Connecticut: Summary of 2006 U.S. Census Data*. (Connecticut Voices for Children, 2007). available at: [www.ctkidslink.org/pub\\_detail\\_372.html](http://www.ctkidslink.org/pub_detail_372.html).

<sup>5</sup> "Poverty wages" are defined as full-time, full-year work that leaves family income at the federal poverty level.